

**SPECIAL JOINT MEETING OF THE
COSTA MESA REDEVELOPMENT AGENCY AND CITY COUNCIL**

July 6, 2010

The Redevelopment Agency and City Council met in a Special Joint Meeting that was held on Tuesday, July 6, 2010 in the Council Chambers of City Hall, 77 Fair Drive, Costa Mesa. Agency Member Alan Mansoor called the meeting to order at 8:45 p.m.

I. ROLL CALL

Members Present: Agency Vice-Chair/Mayor Pro Tem Wendy Leece
Agency/Council Member Eric Bever
Agency/Council Member Gary Monahan
Agency Member/Mayor Allan Mansoor

Members Absent: Agency Chair/Council Member Katrina Foley

Officials Present: Executive Director Kimberly Brandt Agency
Attorney Kimberly Hall Barlow
Neighborhood Improvement Mgr. Muriel Ullman
Clerk Julie Folcik
Mark Huebsch, Special Agency Counsel
Tim Bretz, Keyser Marston Associate
Steve Gall, USA Properties Fund

II. CLERK'S STATEMENT

The Redevelopment Agency Special Meeting Agenda and Notice and Call were posted at the City Council Chambers, Postal Office, Headquarters Police Department, the Neighborhood Community Center and Mesa Verde Public Library on Thursday, July 1, 2010.

III. MINUTES – minutes of the regularly scheduled meeting of May 11, 2010

MOTION: Approve. Moved by Agency Member/Mayor Allan Mansoor, seconded by Agency/Council Member Gary Monahan.

The motion carried by the following roll call vote:

Ayes: Agency/Council Member Eric Bever, Agency/Council Member Gary Monahan, Agency Vice-Chair/Mayor Pro Tem Wendy Leece, Agency Member/Mayor Allan Mansoor

Noes: None.

Absent: Agency Chair/Council Member Katrina Foley

IV. PUBLIC COMMENTS – None

V. AGENCY MEMBERS' COMMENTS AND SUGGESTIONS – None

VI. WARRANT RESOLUTIONS

1. Ratify Warrant Resolution CMRA-395; approve Warrant Resolution CMRA-396

MOTION: Ratify and approve. Moved by Agency Member/Mayor Allan Mansoor, seconded by Agency/Council Member Gary Monahan

The motion carried by the following roll call vote:

Ayes: Agency/Council Member Eric Bever, Agency/Council Member Gary Monahan, Agency Vice-Chair/Mayor Pro Tem Wendy Leece, Agency Member/Mayor Allan Mansoor

Noes: None.

Absent: Agency Chair/Council Member Katrina Foley

VII. OLD BUSINESS – None

VIII. NEW BUSINESS

1. Funding Commitments of Agency and City to USA Properties Fund Relating to Proposed Harper's Pointe Senior Apartment Project

REDEVELOPMENT AGENCY RECOMMENDATIONS

1. Approve recommended Agency funding commitment to make a 55-year residual receipts loan of up to \$990,000 to Harper's Pointe, L.P., a partnership created by USA Properties Fund ("Developer"), to fund the land acquisition and new construction of the 53-unit Harper's Pointe Senior Apartments ("Project") located at 845 West Baker Street, contingent upon the California Tax Credit Allocation Committee (TCAC) award of 9% Tax Credits to Developer for the Project and other funding commitments, including \$743,000 from the County of Orange (HOME funds) and \$757,000 under the auspices of the Mental Health Services Act Housing Program (MHSA) program, as set forth in the Commitment Letter (Attachment No. 4); and
2. Authorize the Executive Director to execute the Commitment Letter and to take necessary actions to effectuate the transaction contemplated by the Commitment Letter. Detailed terms and conditions of an Agency Loan Agreement and implementing documents, as defined in the Commitment Letter, are contingent upon review and approval by Special Counsel to the City and by the City Attorney and subject to the assumptions and analysis in the Keyser Marston Associates' ("KMA") economic report dated as of June 24,, 2010 (Attachment No. 6) ("KMA Report").

CITY COUNCIL RECOMMENDATIONS:

1. Approve recommended City funding commitment to make a 55-year residual receipts loan of up to \$385,000 (funding source limited to HOME Program funds) to Developer to fund the land acquisition and new construction of the Project, contingent upon TCAC's award of 9% Tax Credits to Developer for the Project and other funding commitments, including \$743,000 from the County of Orange (HOME funds) and \$757,000 under the auspices of MHSA program, as set forth in the Commitment Letter (Attachment No. 4); and
2. Authorize the City Manager to execute the Commitment Letter and to take necessary actions to effectuate the transaction contemplated by the Commitment Letter. Detailed terms and conditions of a City Loan Agreement and implementing documents, as defined in the Commitment Letter, are contingent upon review and approval by Special Counsel to the City and by the City Attorney and subject to the assumptions and analysis in the KMA Report (Attachment No. 6).

Neighborhood Improvement Manager Muriel Ullman presented the staff report. Ms. Ullman reported that in February 2010, the City Council and the Agency committed Agency and HOME funds to the Harper's Pointe Project and authorized staff to develop an exclusive right to negotiate with the Developer. Staff worked with USA properties towards the goal and developed a general financing strategy and business terms that were set forth in the Commitment Letter. The Developer will be applying with the California Tax Credit Allocation Committee (TCAC) for an allocation of tax credits to build the 53-unit senior housing development, which included 52 affordable rental units and one manager's unit (the Developer will be applying for up to two rounds of funding). The Developer was requesting that the Agency commit money for a residual receipts loan, up to \$990,000, of which \$575,000 would be used to pay for City development fees. The Developer will also be receiving a HOME program fund via a separate loan for a total Agency/City commitment of \$1,375,000. It is proposed that the Agency and the City provide the commitment of funds for the Developer's application to TCAC relating to the two loans pursuant to the Commitment Letter. The commitment would be contingent upon the Developer receiving, from the Project, a competitive TCAC award and further contingent upon the Developer obtaining any additional financing he needs to accomplish the acquisition and development of the Site. The Developer's estimated total

cost was over \$14 million. Ms. Ullman referred Agency/Council members to page 5 of the staff report that outlined other financing sources that included a combination of public and private funds.

Ms. Ullman emphasized that Agency/Council members were not approving a typical Affordable Housing Agreement but rather a commitment of funds to the Project. Agency/Council members were not committing to anything beyond the terms referenced in the Commitment Letter and Agency/City members could impose additional conditions to the Agency loan agreement.

Agency/Council Member Eric Bever asked if there would be an interest rate on the loan. Ms. Ullman stated the anticipated interest rate would be 3%.

Agency Vice-Chair/Mayor Pro Tem Wendy Leece referred to the Keyser Marston report dated June 24, 2010, and asked if the Developer had performed a fair market value appraisal of the Site. Mr. Tim Bretz stated the Developer had not performed an adequate fair market value appraisal because it was only a funding Commitment Letter. Before staff could move forward with an Affordable Housing Agreement, the Developer would need to provide a highest and best use appraisal.

Agency Vice-Chair/Mayor Pro Tem Wendy Leece asked if the appraisal did not have to be performed before the Developer submitted the TCAC application on July 7th. Ms. Ullman reiterated that the Developer had come up with an appraisal that met the requirements of the Tax Credit Allocation Committee. The appraisal, however, did not meet the City's more stringent requirements; therefore, staff was requiring that before any further loan funds were committed, should the Developer receive a TCAC award, that the Developer must get a highest or best use appraisal.

Agency Member/Mayor Allan Mansoor opened the session for public comment.

Mr. Steve Gall, Senior Vice President of USA Properties Fund stated the difficulty of pulling an affordable housing community together (entitlement and financial packages) was a daunting task. Mr. Gall added USA Properties Fund had all of the soft-money elements lined up; they were in the process of moving forward with the appraisal and looked forward to completing the process.

Agency Member/Mayor Allan Mansoor closed the public hearing.

Agency Vice-Chair/Mayor Pro Tem Wendy Leece asked City Attorney Kimberly Hall Barlow if the Agency/City could require applicants/residents to be U.S. residents since HOME funds were being used for the Project. Ms. Hall Barlow stated they would comply with all H.U.D. requirements that may be in place and added that a definitive answer for the Project had not been received from H.U.D. Typically, H.U.D. would require proof of eligibility for low-income housing and Ms. Hall Barlow would ensure that the Project met all of the eligibility criteria.

MOTION: Voting as the Redevelopment Agency - Approve Redevelopment Agency Recommendation 1. Moved by Agency Member Allan Mansoor, seconded by Agency Member Gary Monahan.

The motion carried by the following roll call vote:

Ayes: Agency Member Eric Bever, Agency Member Gary Monahan,
Agency Member Allan Mansoor

Noes: Agency Vice-Chair Wendy Leece

Absent: Agency Chair/Council Member Katrina Foley

MOTION: Voting as the Redevelopment Agency – Approve Redevelopment Agency Recommendation 2. Moved by Agency Member Allan Mansoor, seconded by Agency Member Eric Bever.

The motion carried by the following roll call vote:

Ayes: Agency Member Eric Bever, Agency Member Gary Monahan,
Agency Member Allan Mansoor

Noes: Agency Vice-Chair Wendy Leece

Absent: Agency Chair/Council Member Katrina Foley

MOTION: Voting as the City Council - Approve City Council Recommendation 1. Moved by Mayor Allan Mansoor, seconded by Council Member Eric Bever.

The motion carried by the following roll call vote:
Ayes: Council Member Eric Bever, Council Member Gary Monahan,
Mayor Allan Mansoor
Noes: Mayor Pro Tem Wendy Leece
Absent: Council Member Katrina Foley

MOTION: Voting as the City Council - Approve City Council Recommendation 2. Moved by Mayor Allan Mansoor, seconded by Council Member Eric Bever.

The motion carried by the following roll call vote:
Ayes: Council Member Eric Bever, Council Member Gary Monahan,
Mayor Allan Mansoor
Noes: Mayor Pro Tem Wendy Leece
Absent: Council Member Katrina Foley

IX. REPORTS

- 1. Agency Attorney – None
- 2. Executive Director – None

X. ADJOURN

Agency Member/Mayor Allan Mansoor adjourned the Special Joint Redevelopment/ Council meeting at 8:59 p.m.